新創建集團有限公司*
NWS Holdings Limited

(incorporated in Bermuda with limited liability)
(stock code: 0659)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2005

FINANCIAL HIGHLIGHTS

Turnover	:	HK$10,286.1 million
Profit attributable to shareholders	:	HK$2,918.0 million
Earnings per share	:	HK$1.62
Proposed final dividend	:	HK$0.62 per share

RESULTS

The board of directors (the "Board") of NWS Holdings Limited (the "Company") is pleased to announce the audited consolidated profit and loss account of the Company and its subsidiary companies (collectively the "Group") for the year ended 30 June 2005 ("FY2005") and the consolidated balance sheet of the Group as at 30 June 2005 together with comparative figures for the year ended 30 June 2004 ("FY2004"), as follows:

Consolidated Profit and Loss Account
For the year ended 30 June 2005

	Note	**2005** **HK$'m**	2004 HK$'m
Turnover	2	**10,286.1**	12,552.9
Cost of sales		**(9,568.2)**	(11,180.9)
Gross profit		**717.9**	1,372.0
Other income	3	**2,117.4**	564.3
General and administrative expenses		**(810.1)**	(983.1)
Other charges	3	**(59.9)**	(405.4)
Operating profit	3	**1,965.3**	547.8
Finance costs		**(205.5)**	(280.8)
Share of results of			
Jointly controlled entities		**1,019.1**	1,127.5
Associated companies		**423.3**	493.0
Profit before taxation		**3,202.2**	1,887.5
Taxation	4	**(287.7)**	(329.5)

Profit after taxation		**2,914.5**	1,558.0
Minority interests		**3.5**	(19.8)
Profit attributable to shareholders		**2,918.0**	1,538.2
Dividends	*5*	**1,462.3**	720.3
Earnings per share	*6*		
Basic		**HK$1.62**	HK$0.86
Diluted		**HK$1.61**	HK$0.86

Consolidated Balance Sheet
As at 30 June 2005

	Note	**2005** **HK$'m**	2004 *HK$'m*
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**329.9**	(516.1)
Fixed assets		**3,359.3**	3,621.8
Jointly controlled entities		**9,009.1**	9,685.5
Associated companies		**3,010.0**	1,966.0
Other non-current assets		**635.4**	492.9
		16,343.7	15,250.1
Current assets			
Inventories		**145.5**	123.8
Debtors, deposits and prepayments	*7*	**5,022.4**	5,038.1
Trading securities		**32.0**	1.3
Bank balances and cash		**3,649.9**	3,501.8
		8,849.8	8,665.0
Current liabilities			
Creditors and accrued charges	*8*	**4,414.6**	4,293.1
Current portion of amount due to a fellow subsidiary company		**192.9**	181.6
Taxation		**107.4**	105.9
Current portion of loans and borrowings		**1,319.0**	1,346.2
Short term bank loans and overdrafts			
– Secured		**0.5**	0.8
– Unsecured		**960.4**	1,209.2
		6,994.8	7,136.8
Net current assets		**1,855.0**	1,528.2
Total assets less current liabilities		**18,198.7**	16,778.3
Non-current liabilities			
Loans and borrowings		**3,843.2**	5,563.7
Other long term liabilities		**602.9**	794.2
Minority interests and loans		**810.6**	869.8
		5,256.7	7,227.7
Net assets		**12,942.0**	9,550.6

CAPITAL AND RESERVES

Share capital	**1,825.1**	1,792.5
Reserves	**11,116.9**	7,758.1
Shareholders' funds	**12,942.0**	9,550.6

Notes:

1. **Basis of preparation and accounting policies**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong; and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), including applicable Hong Kong Statements of Standard Accounting Practice and certain Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively the "HKFRSs") as described further below. The accounts are prepared under the historical cost convention, except that investment properties and other investments are carried at fair value.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. In preparing these accounts, the Group early adopted the following HKFRS and HKASs:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38, goodwill on acquisitions of subsidiary companies, associated companies and jointly controlled entities is no longer amortized but tested for impairment annually. Any impairment loss recognized during the year is charged to the consolidated profit and loss account. Accumulated amortization as at 1 July 2004 has been eliminated with a corresponding decrease in the cost of goodwill. Goodwill previously eliminated against reserves, totalling HK$1,971.4 million as at 1 July 2004 and included in revenue reserve, is not reinstated on the balance sheet or included in the calculation of the profit or loss on disposal of subsidiary companies, associated companies or jointly controlled entities.

The Group ceased amortization of negative goodwill from 1 July 2004. The balance of the negative goodwill, after eliminating its corresponding accumulated amortization, has been derecognized and credited to the equity as at 1 July 2004. From 1 July 2004, any excess of the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies, associated companies or jointly controlled entities over the cost of an acquisition is recognized immediately in the consolidated profit and loss account.

These changes in the accounting policies in goodwill and negative goodwill have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. In particular, negative goodwill arising on acquisitions has been derecognized from 1 July 2004 and this results in the following:

	HK$'m
Increase in opening reserves	976.5
Decrease in negative goodwill	861.4
Increase in jointly controlled entities	32.0
Increase in associated companies	83.1

In addition, these changes in accounting policies have resulted in the followings:

	HK$'m
Decrease in amortization of goodwill	63.3
Decrease in amortization of negative goodwill	(114.8)
Negative goodwill credited to profit and loss account	2.7
Increase in profit on disposal of assets	1,711.9
Increase in profit for the year ended 30 June 2005	1,663.1

The Group has not early adopted other new and revised HKFRSs in the accounts for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to analyze and quantify the impact of these new and revised HKFRSs on its results of operations and financial position.

2. **Turnover and segment information**

The Group is principally engaged in the businesses of container handling, logistics and warehousing, infrastructure operations, facilities, contracting, transport and other services.

In accordance with the Group's internal financial reporting and operating activities, the primary reporting format is by business segments and the secondary reporting format is by geographical segments. Segmental information under the primary reporting format – business segments is set out below. There are no other significant identifiable business segments.

(a) Primary reporting format – business segments

	Container handling, logistics and warehousing HK$'m	Roads and bridges HK$'m	Energy, water treatment and waste management HK$'m	Facilities rental HK$'m	Facilities management HK$'m	Contracting HK$'m	Transport HK$'m	Others HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year 2005										
External sales	13.4	221.1	–	776.5	2,588.2	6,386.7	–	300.2	–	10,286.1
Inter-segment sales	–	–	–	0.3	153.9	428.9	–	19.6	(602.7)	–
Total turnover	13.4	221.1	–	776.8	2,742.1	6,815.6	–	319.8	(602.7)	10,286.1
Segment results	2.8	43.0	11.9	224.1	156.9	(345.6)	–	(8.4)	–	84.7
Profit on disposal of subsidiary companies	684.7	64.6	–	–	–	–	–	–	–	749.3
Profit/(loss) on disposal of jointly controlled entities	1,092.3	–	(2.1)	–	–	–	–	–	–	1,090.2
Profit on disposal of an investment	–	190.7	–	–	–	–	–	–	–	190.7
Assets impairment loss	(7.4)	(15.4)	–	–	–	–	–	(35.0)	–	(57.8)
Unallocated corporate expenses										(91.8)
Operating profit										1,965.3
Finance costs										(205.5)
Share of results of										
Jointly controlled entities	40.1	377.6	309.8	178.7	–	(0.2)	90.8	22.3		1,019.1
Associated companies	50.6	–	202.5	47.2	0.4	67.3	–	55.3		423.3
Profit before taxation										3,202.2
Taxation										(287.7)
Profit after taxation										2,914.5
Minority interests										3.5
Profit attributable to shareholders										2,918.0
Segment assets	126.0	1,854.1	–	1,199.9	534.1	4,590.4	–	345.0	–	8,649.5
Jointly controlled entities	414.7	3,753.4	1,262.7	1,804.5	8.7	621.5	1,068.5	75.1	–	9,009.1
Associated companies	94.9	375.7	1,219.0	–	0.9	750.0	–	569.5	–	3,010.0
Unallocated assets										4,524.9
Total assets										25,193.5
Segment liabilities	3.2	258.3	0.4	272.9	373.3	3,440.4	–	74.4	–	4,422.9
Unallocated liabilities										7,018.0
Total liabilities										11,440.9
Minority interests and loans										810.6
										12,251.5
Capital expenditure	1.0	1.3	–	19.4	22.6	18.7	–	10.6	–	73.6
Depreciation	4.3	71.6	–	16.9	37.2	62.2	–	8.4	–	200.6

	Container handling, logistics and warehousing HK$'m	Roads and bridges HK$'m	Energy, water treatment and waste management HK$'m	Facilities rental HK$'m	Facilities management HK$'m	Contracting HK$'m	Transport HK$'m	Others HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year 2004										
External sales	17.3	368.4	0.9	751.3	2,250.3	7,696.5	1,138.1	330.1	–	12,552.9
Inter-segment sales	–	–	–	0.5	142.1	473.0	0.2	22.0	(637.8)	–
Total turnover	17.3	368.4	0.9	751.8	2,392.4	8,169.5	1,138.3	352.1	(637.8)	12,552.9
Segment results	3.7	161.9	10.6	210.5	182.7	22.9	72.1	38.5	–	702.9

Amortization of net negative goodwill	–	(3.5)	–	10.7	0.1	88.3	(6.4)	(18.4)	–	70.8
Profit/(loss) on disposal of subsidiary companies	(3.3)	194.0	201.6	–	–	–	–	–	–	392.3
Profit on disposal of a jointly controlled entity	–	13.1	–	–	–	–	–	–	–	13.1
Loss on disposal of fixed assets	(26.7)	–	–	–	–	–	–	–	–	(26.7)
Assets impairment loss	(346.0)	–	(29.0)	–	–	(0.4)	–	–	–	(375.4)
Unallocated corporate expenses										(229.2)
Operating profit										547.8
Finance costs										(280.8)
Share of results of										
Jointly controlled entities	48.2	286.2	518.5	147.4	22.4	52.7	35.8	16.3	–	1,127.5
Associated companies	162.9	–	–	64.7	0.3	220.0	4.3	40.8	–	493.0
Profit before taxation										1,887.5
Taxation										(329.5)
Profit after taxation										1,558.0
Minority interests										(19.8)
Profit attributable to shareholders										1,538.2
Segment assets	132.1	1,921.9	0.8	1,155.6	590.3	4,491.4	–	184.2	–	8,476.3
Jointly controlled entities	578.2	3,666.4	2,406.1	1,325.8	9.3	613.2	1,004.3	82.2	–	9,685.5
Associated companies	428.3	–	–	485.8	1.1	632.9	2.7	415.2	–	1,966.0
Unallocated assets										3,787.3
Total assets										23,915.1
Segment liabilities	7.8	317.9	0.3	237.1	341.8	3,254.4	–	95.2	–	4,254.5
Unallocated liabilities										9,240.2
Total liabilities										13,494.7
Minority interests and loans										869.8
										14,364.5
Capital expenditure	6.7	6.6	–	16.6	33.5	39.8	31.4	16.8	–	151.4
Depreciation	5.9	137.1	–	18.7	36.8	85.8	151.2	6.2	–	441.7

(b) *Secondary reporting format – geographical segments*

	Turnover *HK$'m*	**Segment results** *HK$'m*	**Segment assets** *HK$'m*	**Capital expenditure** *HK$'m*
Year 2005				
Hong Kong	**8,822.5**	**41.5**	**6,078.0**	**65.0**
Mainland China	**1,294.3**	**30.0**	**2,461.8**	**8.3**
Others	**169.3**	**13.2**	**109.7**	**0.3**
	10,286.1	**84.7**	**8,649.5**	**73.6**
Year 2004				
Hong Kong	10,527.2	501.1	5,782.6	133.4
Mainland China	1,733.8	197.1	2,682.9	18.0
Others	291.9	4.7	10.8	–
	12,552.9	702.9	8,476.3	151.4

3. Operating profit

Operating profit of the Group is arrived at after crediting and charging the following:

	2005 HK$'m	2004 HK$'m
Crediting		
Gross rental income from investment properties	**40.9**	40.5
Less: Outgoings	**(10.1)**	(10.6)
	30.8	29.9
Other income		
Profit on disposal of subsidiary companies	**749.3**	395.6
Profit on disposal of a jointly controlled entity	**1,092.3**	13.1
Profit on disposal of an investment	**190.7**	–
Profit on disposal of trading securities	**–**	13.7
Amortization of net negative goodwill	**–**	70.8
Interest income	**33.5**	9.3
Management fee	**31.4**	48.8
Machinery hire income	**20.2**	13.0
	2,117.4	564.3
Charging		
Cost of inventories sold	**905.6**	780.7
Depreciation	**200.6**	441.7
Operating lease rental expenses		
Land and buildings	**54.1**	87.4
Other equipment	**1.0**	55.9
Other charges		
Loss on disposal of a subsidiary company	**–**	3.3
Loss on disposal of a jointly controlled entity	**2.1**	–
Loss on disposal of fixed assets	**–**	26.7
Assets impairment loss	**57.8**	375.4
	59.9	405.4

4. Taxation

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005 HK$'m	2004 HK$'m
Company and subsidiary companies		
Hong Kong profits tax	**53.4**	76.1
Mainland China and overseas taxation	**12.0**	12.8
Deferred taxation	**6.6**	25.2
	72.0	114.1
Jointly controlled entities		
Hong Kong profits tax	**64.5**	44.1
Mainland China and overseas taxation	**86.3**	91.4
Deferred taxation	**2.3**	14.3
	153.1	149.8
Associated companies		
Hong Kong profits tax	**37.8**	65.8
Mainland China and overseas taxation	**29.2**	–
Deferred taxation	**(4.4)**	(0.2)
	62.6	65.6
	287.7	329.5

5. **Dividends**

	2005	2004
	HK$'m	*HK$'m*
Interim dividend paid of HK$0.18 (2004: HK$0.15) per share	**325.3**	268.7
Final dividend proposed of HK$0.62 (paid of 2004: HK$0.25) per share	**1,137.0**	451.6
	1,462.3	720.3

6. **Earnings per share**

The calculation of basic and diluted earnings per share is based on the profit of HK$2,918.0 million (2004: HK$1,538.2 million).

The calculation of basic earnings per share is based on the weighted average of 1,803.7 million (2004: 1,784.5 million) shares in issue during the year.

The calculation of diluted earnings per share is based on 1,813.1 million (2004: 1,799.0 million) shares which were the weighted average number of 1,803.7 million (2004: 1,784.5 million) shares in issue during the year plus the weighted average of 9.4 million shares deemed to be issued at HK$3.725 (2004: 14.4 million shares at HK$3.725 and 0.1 million shares at HK$6.93), if all outstanding share options had been exercised. The convertible bonds do not have a dilutive effect.

7. **Debtors, deposits and prepayments**

Included in debtors, deposits and prepayment are trade debtors with their ageing analysis as follows:

	2005	2004
	HK$'m	*HK$'m*
Under 3 months	**865.3**	945.6
Between 4 – 6 months	**56.1**	75.9
Over 6 months	**183.9**	253.3
	1,105.3	1,274.8

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which these businesses operate. Retention money receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

8. **Creditors and accrued charges**

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	2005	2004
	HK$'m	*HK$'m*
Under 3 months	**479.6**	445.6
Between 4 – 6 months	**35.2**	39.6
Over 6 months	**63.7**	76.6
	578.5	561.8

9. **Comparative figures**

Certain comparative figures are reclassified to conform with current year's presentation.

FINAL DIVIDEND

The directors have resolved to recommend a final dividend for the year ended 30 June 2005 in scrip form equivalent to HK$0.62 per share with a cash option to shareholders registered on 29 November 2005. Together with the interim dividend of HK$0.18 per share (2004: HK$0.15 per share) paid in June 2005, total distributions for 2005 would thus be HK$0.80 per share (2004: HK$0.40 per share).

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and they be given the option to elect to receive payment in cash of HK$0.62 per share instead of the allotment of shares. Full details of the scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 20 December 2005.

The register of members of the Company will be closed from Thursday, 24 November 2005 to Tuesday, 29 November 2005, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 23 November 2005.

FINANCIAL REVIEW

Group Overview

The Group reported a profit attributable to shareholders of HK$2.918 billion for FY2005, an increase of HK$1.380 billion or 90%, as compared to HK$1.538 billion for FY2004. Attributable Operating Profit ("AOP") dropped by 26% from HK$1.903 billion in FY2004 to HK$1.415 billion in FY2005. After disposal of our attributable interests in Container Terminal No. 3 ("CT3") and Container Terminal No. 8 West ("CT8W"), management decided to streamline the Group's major businesses into two divisions, namely "Infrastructure" and "Service & Rental". Infrastructure division achieved a stable AOP of HK$1.010 billion, a slight increase as compared to HK$1.006 billion in FY2004. Service & Rental division reported an AOP of HK$404.8 million, a decrease of 55% from HK$897.1 million in FY2004. Apart from the operating results, additional profits of HK$1.777 billion were recognized for the disposal of our interests in CT3 and CT8W and HK$253.2 million for the disposal of our stakes in other infrastructure projects. On the other hand, assets impairment losses of HK$57.8 million were recorded, mainly for goodwill and other investments, as compared to HK$375.4 million in FY2004. As the new HKFRS 3, HKAS 36 and HKAS 38 were early adopted, no amortization of goodwill was recorded, as compared to HK$70.8 million amortization of net negative goodwill in FY2004.

Contributions from Hong Kong accounted for 33% of AOP while Mainland China and Macau contributed 67%, as compared to 55% and 45% respectively in FY2004.

The earnings per share for FY2005 was HK$1.62, an 88% increase over HK$0.86 for FY2004. The Company's dividend payout strategy is to maintain a long-term stable dividend payout ratio, providing shareholders with a highly competitive return on investment. The dividend payout will be linked to underlying performance of our businesses, as well as new projects and capital expenditure incurred during the period. With stable recurring cash flow and strong cash position, the dividend increased from HK$0.40 per share in FY2004 to HK$0.80 per share, or a 100% growth, in FY2005. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at 50%.

Operational Review – Infrastructure

The overall performance of the Infrastructure division was satisfactory for FY2005 with AOP amounted to HK$1.010 billion, a slight increase of HK$4.0 million over last year.

Energy

AOP of the Energy segment increased by HK$26.8 million to HK$489.9 million, up 6% from FY2004.

The combined electricity sales of Zhujiang Power Phase I and II ("Zhujiang Power") increased by only 2% due to a 50-day major overhaul of one of the power generating units. Although electricity demand in Guangdong Province is still surging, soaring coal price hindered profitability. To maintain the profitability of the Energy segment, the Group, through Zhujiang Power, acquired an effective 35% interest in a joint venture in October 2004, which produces and supplies aerated concrete to the Pearl River Delta region.

The performance of Macau Power was satisfactory with an 11% increase in electricity sales and AOP grew by 9% as a result of less tax provision being required after a reduction of effective income tax rate in Macau from 15.75% to 12% in FY2005. Sale and purchase agreements were entered into with the Mainland joint venture partner in respect of the disposal of the Group's 60% interest in Sichuan Qianwei Dali Power Company Limited for a consideration of RMB48 million and a loss on disposal of HK$2.1 million was recognized.

Water

The AOP of the Water segment increased by 22% to HK$80.6 million for FY2005. The increase was mainly attributable to the full year contribution from a water project in Sanya City, Hainan, a new project in Tanggu, Tianjin that commenced operation in April 2005, and the impressive performance of Zhongshan Water Plants. The average daily water sales volume of Zhongshan Quanlu and Dafeng Water Plants increased by 7% and the average water tariff increased by 8%. The average daily water sales volume of Macau Water Plant increased by 3% in FY2005 but AOP contribution dropped due to an increase in the unit price of raw water effective January 2005.

Roads

The AOP of the Roads segment was HK$372.3 million, an increase of 28% when compared to FY2004.

Average daily traffic flow of Guangzhou City Northern Ring Road increased by 3% and toll income increased by HK$46.7 million during FY2005. Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 10% and 19% respectively and the overall toll income of both sections increased by HK$73.1 million. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 20%.

During FY2005, the Group contracted three new expressway projects in order to capture the robust economic growth of the Pearl River Delta region. The Group acquired a 15% effective interest in Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) in September 2004 and a 25% interest in Guangzhou-Zhaoqing Expressway in April 2005. Furthermore, an agreement to acquire a 25% interest in the Pearl River Delta Ring Road (South-Western Section) was signed in March 2005.

Subsequent to the signing of the agreement in principle with the Wuhan party in December 2003 in respect of the disposal of the Group's interests in Wuhan Bridge, the Group has signed the formal sale and purchase agreement during the year and recognized a disposal gain of approximately HK$190.7 million in FY2005.

Ports

The AOP of the Ports segment was HK$67.4 million, a decrease of 64% when compared to FY2004. The AOP of CT3 decreased by 64% as compared to FY2004. The AOP decrease was mainly due to the loss of certain major customers after their contracts expired in 2004, as well as the disposal of our interest in CT3 which was completed in February 2005.

CT8W recorded an Attributable Operating Loss ("AOL") mainly due to additional payroll, overhead and marketing expenses incurred for commencement of operation, depreciation and interest expenses charged upon commencement of operation in FY2005.

The investments made by the Group in CT3 and CT8W were for long-term purpose. However, in view of the market conditions and the business uncertainty of container handling business in Hong Kong and the unsolicited offer by PSA International Pte Ltd ("PSA"), the Group considered the offer was exceptionally attractive and therefore entered into two separate share sale agreements with PSA on 4 February 2005 to sell the 33.34% interest in CT3 and 31.4% interest in CT8W to PSA at a total consideration of HK$3.0 billion. The aforementioned disposals were completed on 21 February 2005 and 18 March 2005 respectively. A disposal gain of approximately HK$1.777 billion was recognized in FY2005.

CSX Orient (Tianjin) Container Terminals Co., Limited contributed an AOP of HK$26.6 million, a decrease of 20% over FY2004 mainly due to a drop in throughput because of the increase in keen competition from newly built terminal. Xiamen New World Xiangyu Terminals Co., Ltd. (formerly known as "Xiamen Xiang Yu Quay Co., Ltd.") reported an AOP of HK$26.3 million, an increase of 28% over FY2004.

In order to maintain the earning capacity of the Ports segment, the Group entered into an agreement in May 2005 to invest in an 18% interest in Tianjin Five Continents project, which was approved by the relevant government authorities in September 2005. In September 2005, the Group has signed a letter of intent with China Railway Container Transport Corp. Ltd and other independent third parties to set up a sino-foreign joint venture, in which the Group will hold 22% interest, to develop, operate and manage 18 large-scale pivotal rail container terminals in 18 major cities of Mainland China.

Operational Review – Service & Rental

Service & Rental division achieved an AOP of HK$404.8 million based on a turnover of HK$10.019 billion. A significant reduction of AOP by HK$492.3 million was mainly due to certain provisions made for the Contracting segment, which has been persistently lagged behind in the recovery process. Apart from Contracting segment, the Service & Rental division achieved satisfactory results during FY2005.

During FY2005, management streamlined the existing businesses into the following segments, namely "Facilities Rental", "Contracting", "Transport" and "Others". ATL Logistics Centre Hong Kong Limited originally grouped under Ports business was reclassified into the Facilities Rental segment.

Facilities Rental

The Facilities Rental segment mainly comprised Hong Kong Convention and Exhibition Centre ("HKCEC") and ATL Logistics Centre ("ATL"). Facilities Rental segment continued to contribute a stable profit and cash inflow to the Group. This segment recorded an AOP of HK$384.0 million for FY2005, an increase of 9% over FY2004.

HKCEC achieved satisfactory result in FY2005 with profit increased by around 11% due to the recovery of local economy. It is expected that its expansion plan will be commenced in 2006 and completed in 2009. After completion of the expansion, HKCEC will have additional space of 19,400 square metres, making it in total of 83,400 square metres.

ATL recorded a stable profit in FY2005 with its average occupancy rate increased slightly from 91% to 93%.

Contracting

The Contracting segment reported an AOL of HK$253.2 million, as compared to an AOP of HK$253.6 million in FY2004. Although there was sustainable economic recovery in Hong Kong during FY2005, the building and construction industry is still lagging behind due to the consistently low level of Government capital expenditure and the cautious investment attitude in the private sector. As a result, competition among major contractors remains intense and gross profit margin of contracts continues to be slim. After thorough review of all potential risks of its project portfolio, additional provisions of approximately HK$316.0 million had been made for 2 major projects due to claims for liquidated damages and foreseeable losses to be incurred. Apart from these provisions, the Contracting segment would have recorded a profit of HK$62.8 million.

However, the outlook remains very encouraging. During FY2005, the Group secured contracts totalling HK$10.4 billion, among which, HK$5.5 billion was attributed to the booming Macau market. Contracts on hand as at 30 June 2005 stood at HK$17.7 billion, of which remaining works to be completed amounted to HK$13.3 billion.

Performance of NWS Engineering Group was satisfactory with an increase in average gross profit margin from 5% in FY2004 to 6% in FY2005. The contracts awarded for FY2005 were HK$1.5 billion in which 60% was secured in Mainland China.

Transport

The Transport segment achieved an AOP of HK$65.6 million in FY2005, which was consistent with that of FY2004. The AOP was maintained merely due to the cessation of amortization of goodwill in FY2005 after the adoption of the new HKFRS during the year and the improved contribution from Kwoon Chung Bus Holdings Limited.

The performance of our two bus companies did not benefit from the recovery of Hong Kong economy. During the year, competitions from the Ma On Shan Rail Link and the new Tsim Sha Tsui rail extension as well as higher operating costs arising mainly from the surge of fuel price and the increase in tunnel charges and staff salaries made a significant adverse impact on the companies' profitability. Thankfully this negative impact was tempered to a large extent by savings achieved in the areas of management alignment, resource integration and route rationalization following the reorganization of Citybus Limited and New World First Holdings Limited under NWS Transport Services Limited.

New World First Ferry Services Limited, conducting ferry business in Hong Kong waters, incurred a loss for FY2005 mainly due to high fuel costs. New World First Ferry Services (Macau) Limited providing ferry services between Hong Kong and Macau continued to benefit from the guaranteed profits from Chow Tai Fook Enterprises Limited for FY2005.

Others

The Others segment comprised various service businesses. For FY2005, this segment achieved an AOP of HK$208.4 million, slightly decreased by 7% compared with that of last year.

Urban Property Management Group continued to contribute a stable profit to the Group and successfully maintained a clientele of over 169,000 residential units under management. Kiu Lok Property Management Group focused on the market in Mainland China and its existing service networks have been successfully extended to 13 cities in Mainland China. For Free Duty, patronage of retail outlets remain robust due to the rebound in Hong Kong's tourism sector.

BUSINESS OUTLOOK

Infrastructure

Although power shortage continues, new generation capacity coming into operation will ease the pressure of increasing demand from industrial and residential consumption. Profitability will be hindered by rising coal costs despite shifting of the fuel cost burden to consumers based on a pre-determined auto-system that became effective on 1 May 2005. Looking ahead, upkeep of production units and cost management will be the most challenging issues and shall incubate a healthy platform for trial operation of the "Two-tier" tariff and power pooling systems in late 2005. Four provinces, including Southern Power Grid Company in Guangdong, will trial-run the power pooling system with 20% of budgeted generation quota. The overall impact on profit is expected to be slim at the moment.

Our water treatment plant in the Shanghai Chemical Industry Park (the "Park") has already commenced its commercial operation in early April 2005 and the hazardous waste incinerator project is under construction and expected to be in operation in the second half of 2006. Furthermore, it is revealed that the most important project in Phase II development of the Park will commence construction in 2007 and will be in operation by 2009. The water plants in Qingdao, Chongqing and Sanya are expected to continue their volume growth. In order to capture anticipated growth in future water demand, we have concluded new investments in phase II extension of Chongqing, Qingdao and Tanzhou water treatment plants. All of them will be in operation in mid-2006.

The announcement of a long term national expressway plan calling for constructing 50,000 km more expressways by the Ministry of Communications creates ample investment opportunities for toll road business. On the other hand, soaring oil price will have adverse effect on traffic volume and the rise in interest rates of both Mainland China and the United States place pressure on project financing costs. The restructuring of toll rate scale in various provinces due to the newly implemented guidelines on the reduction of toll rate for larger trucks and standardization of vehicles classification will negatively affect the toll rate per vehicle (though traffic flow may increase to certain extent). Nevertheless, toll road operators are compensated by a cut in business tax from 5% to 3% for expressways effective 1 June 2005.

The Ministry of Communications had recently approved the merger of Xiamen port with the nearby Zhangzhou port to enlarge Xiamen port's handling capacity. New terminal facilities have been planned at the existing Haicang port as well as the newly-planned Songyu port and Liuwudian port with total container handling capacity of over 10 million TEUs by 2010. In Tianjin, sixteen more container berths are scheduled to be built and the total container handling capacity is expected to reach over 11 million TEUs by 2010.

Service & Rental

The Hong Kong economic rebound continues to favour business recovery in many of the service sectors of Hong Kong. The Facilities Rental segment is expected to continue providing to the Group with a stable profit and cash inflow.

The building and construction activities in Hong Kong turned around to a modest growth in the first half of 2005. Although the construction market in Hong Kong has yet to pick up, the construction market in Macau has been booming since last year with the growth of the tourism and entertainment industries. It is expected that the Macau market will continue to grow in the next few years and the Group is well positioned to tap on the business opportunities there, and contribute to the overall profitability. With establishment of a fully operational subsidiary company in Mainland China, the Group is actively seeking business opportunities and aims to diversify its construction operations in the Mainland China market.

The business environment of transport is believed to remain unfavourable in the coming year. The record high fuel cost, now showing no signs of abatement, will continue to plague the profitability of the Group's transport business. New and proposed railways will further intensify the market competition in Hong Kong. However, should the oil price return to a moderate level as predicted by some analysts, and with the possible increase in patronage by visitors to Hong Kong using our new Disney bus service, the transport scene may not be as bleak as it may seem in the longer term. Besides, management continues to implement cost reduction measures through further resource integration between the two bus companies and is also actively looking for investment opportunities in Mainland China and overseas.

FINANCIAL RESOURCES

The Group's funding and treasury policy is to maintain a balanced debt profile with significant risk diversification. As at 30 June 2005, total cash and bank balances amounted to HK$3.650 billion, as compared to HK$3.502 billion as at 30 June 2004. Net debt dropped significantly by 46% from HK$4.618 billion as at 30 June 2004 to HK$2.473 billion as at 30 June 2005. The gearing ratio decreased significantly from 44% as at 30 June 2004 to 18% as at 30 June 2005. The capital structure of the Group was 32% debt and 68% equity as at 30 June 2005, a much stronger financial position as compared to 46% debt and 54% equity as at 30 June 2004.

As at 30 June 2005, total debt decreased to HK$6.123 billion from HK$8.120 billion as at 30 June 2004. Besides the HK$1.350 billion zero coupon guaranteed convertible bonds due 2009, long-term bank loans and borrowings decreased from HK$4.214 billion as at 30 June 2004 to HK$2.493 billion as at 30 June 2005, with HK$1.041 billion maturing in the second year and the remaining in the third to fifth year. Secured bank loans and overdrafts amounted to HK$42.6 million, of which HK$42.1 million was secured by the toll collection right of a toll road in Mainland China. Bank loans of HK$46.3 million were denominated in RMB; all other bank loans were denominated in Hong Kong dollars. Except for the RMB bank loans and the convertible bonds, all other debts were bearing interest at floating rate. The Group did not have any material exposure in exchange risk other than RMB during the year. No fixed assets were pledged as at 30 June 2005.

Total Group commitments for capital expenditure were HK$22.0 million as at 30 June 2005 as compared to HK$69.4 million as at 30 June 2004, and the share of commitments for capital expenditure committed by jointly controlled entities was HK$166.2 million as at 30 June 2005 as compared to HK$473.5 million as at 30 June 2004. Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities. In addition, the Group had committed to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 30 June 2005 were approximately HK$829.2 million.

CONTINGENT LIABILITIES

Contingent liabilities of the Group were HK$1.122 billion as at 30 June 2005 as compared to HK$2.150 billion as at 30 June 2004. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK$19.2 million, 1.048 billion and HK$55.0 million as at 30 June 2005 as compared to HK$82.4 million for associated companies and HK$2.068 billion for jointly controlled entities respectively as at 30 June 2004. The share of contingent liabilities of jointly controlled entities was HK$95.1 million as at 30 June 2005 as compared to HK$206.9 million as at 30 June 2004.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2005, about 43,000 staff were employed by entities under the Group's management of which over 28,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK$2.189 billion, of which provident funds and staff bonuses were included, as compared to HK$2.789 billion for FY2004. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes are provided to employees on an ongoing basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Audit Committee currently comprises four members including three independent non-executive directors and a non-executive director. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the annual results of the Company for the year ended 30 June 2005.

CODE OF BEST PRACTICE

With the exception that non-executive directors have no set term of office but retire from office on a rotational basis in accordance with the bye-laws of the Company, the Company has complied throughout the year ended 30 June 2005 with the Code of Best Practice contained in Appendix 14 (which was applicable during the year) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Code of Best Practice contained in Appendix 14 to the Listing Rules has been replaced by the Code on Corporate Governance Practices with effect from 1 January 2005 and this new code will apply for subsequent reporting periods.

THE BOARD

As at the date of this announcement: (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, Mr. Chan Kam Ling, Mr. Tsang Yam Pui, Mr. Wong Kwok Kin, Andrew, Mr. Lam Wai Hon, Patrick and Mr. Cheung Chin Cheung; (b) the non-executive directors of the Company are Mr. Wilfried Ernst Kaffenberger (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David), Mr. To Hin Tsun, Gerald and Mr. Dominic Lai; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Mr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 5 October 2005

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.